

## PICK & CHOOSE

JUST RED? JUST WHITE?  
JUST CALIFORNIAN?  
JUST ITALIAN?  
HOW ABOUT A  
COMBINATION?

### CALIFORNIA WINES

Artisan Series –  
\$29.50/month, a red and a white  
Winemaker Series –  
\$59.50/month, 2 reserve reds  
Artisan red–Winemaker red –  
\$46/month

### ITALIAN WINES

Artisan Series –  
\$32/month, a red and a white  
Winemaker Series –  
\$62/month, 2 reserve reds  
Collector Series –  
\$112/month, 2 collectable reds  
Artisan red–Winemaker red –  
\$48/month  
Winemaker red–Collector red –  
\$87/month

### CALIFORNIA–ITALIAN COMBINATIONS

CA Artisan red–IT Artisan red –  
\$33/month  
CA Artisan white–IT Artisan white–  
\$29.50/month  
CA Winemaker–IT Winemaker –  
\$62/month  
Alternate CA & IT Artisan Series –  
\$29.50/\$32/month  
Alternate CA & IT Winemaker Series–  
\$59.50/\$62/month

### DOUBLE UP

You can also receive more than two bottles per month. California sales tax is included. Shipping is extra.

see that in California, not the same level of cooperation.”

### Two-Buck Chuck and up

Domestic producers have managed to offer wines in the same price range, the most famous known as “Two-Buck Chuck,” which bottles bulk wine, a niche that has always been important in the wine industry. Wineries might buy bulk wine to blend into a problem wine to correct a deficiency. Others will buy it occasionally to augment their own production. Still others specialize in bottling bulk wine, which represents the excess production of other wineries and can be good quality wine. “Everyone is out there trying to capture some tiny percent of the profit. The people, who buy bulk wine, bottle it and slap a label on it that looks attractive. They want to make 10 cents a bottle. Inexpensive wines will always be there. The market will try to maintain that niche. But I don’t think that the quality will be there anymore. They’re using up all of the bulk wine in the market right now that’s unsold, which is good quality wine, but there’s too much of it. They put it into those cheap bottles and packages and sell it for \$2 or \$3. That’s doing a tremendous favor to the industry by getting rid of the bulk wine that’s out there. But once that’s exhausted, they’ve got to still produce that wine, and that’s where the challenge is going to be.” In other words, as supply and demand comes back into a better balance, good bulk wine

in the quantities that bottlers are now enjoying will no longer be available.

### Supply & demand in balance

Along with other producers of premium California wine, Scott is looking into a much clearer crystal ball these days. “Historically, there’s always an up and down cycle. They’ve even estimated that it’s about nine to ten years. That would put us coming up into another heyday where wines are all allocated. But I really don’t think that wineries are going to go that route. I think that everybody’s had an eye opening with the surplus fruit and with the imports. You’re not in the position anymore where you can charge too much for your wine. It has to be value priced. We’ve adjusted and examined the prices that we charge for our wines and feel that now they’re very reasonable. A lot of wineries really dropped their prices just to get rid of inventory. So now they have a hurdle to get back to where they want to be. If you’ve been buying a wine that was normally \$16, and now you’re getting it for \$8.99, you’re not going to buy it if the next vintage is \$15.00. We have to be very careful. So I think the consumer’s going to see more appropriate pricing. The quality will be better all around. The consumer’s going to win. Wineries will be much more attuned to where they’re going, very careful with how they want to grow. As long as we’re not in excess of supply, the market will be in balance, and there won’t be another dramatic shift.” ■



YOUR ACCESS TO OUTSTANDING WINES FROM CALIFORNIA AND ITALY

## Winery of the Month



### Where the Glamour Ends Jepson Winery



Without urban centers, Mendocino County is a gorgeous mix of agriculture and wilderness with small towns only occasionally interrupting the landscape along Interstate Highway 101. The County includes a rugged stretch of the Pacific coast, redwood forests, mountain ridges, rivers, hills, and valleys, a kaleidoscope of changing panoramas. In early spring after the last rain, the varied landscape sprouts a million shades of green under a clean, blue sky and offers a growing number of vintners a multitude of varied microclimates and terrain. Scott Jepson, who for seven years has managed the family wine estate just beyond Hopland, describes what he calls the “glamour” in his life. “You go through the year watching the vines come out of dormancy and grow. You see the grapes maturing day by day, all the way up to harvest. You feel the excitement when the fruit comes into the winery, and finally the case of wine is closed and ready to go. But that’s where the glamour ends. Now it’s pure competition. A hundred guys are behind me, waiting to get their wines on a shelf. I’ve got to be one step ahead of them. It’s become a completely different environment.” And the competition has become literally lethal for some wineries in the last three years as the market place has made a dramatic turn. ➤



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February 2004

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- Italian Winemaker Series \$62/mo.
- Italian Collector Series \$112/mo.
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Cut 1.5 inches exactly off this side of the sheet.

While this turn has created more difficulties than vintners have experienced in their lifetimes, the situation has benefited consumers enormously. In the year 2000, California vintners couldn't get wine into bottles fast enough even as they raised their prices. They planted thousands of acres of new vineyards, assuming that the demand would continue to outstrip even the new supply. Since then, wine consumption in the U.S. has continued to increase, but not nearly enough to absorb the fruit from all of these new vineyards. To add to the difficulty, lower priced imported wines as well as domestic value wines have flooded the market, so premium vintners have been forced to create various strategies to unload their brands, including steep discounting here in the U.S. and supplying markets abroad.

"I think the consumer's going to see more appropriate pricing. The quality will be better all around. The consumer's going to win."  
—Scott Jepson



**Predicting the future**

One of the most important tasks that winery owners perform is to predict the future, and in 1998 almost no one imagined today's marketplace. Five to six years might elapse from the time that they plant the vine, harvest the grapes, ferment the fruit into wine, age that wine, and finally release it to the market. So five years earlier, winery owners needed to predict which grape varieties would appeal to consumers, how much wine the market would absorb at what prices. "Trying to predict today what will happen when your wine becomes available is very difficult," Scott says. "That's a challenge."

"You've got to tie up the capital for several years before you're going to recoup the investment that you've made in that case of wine. So imagine you're in one market environment three years ago. Now try to recoup what you invested in a completely different market economy. You're profitability margin is going to be all skewed."

You can no longer shoot for that formulated profit margin because the cases have to move. It's not like you're making ball bearings. You can't turn off the machines for a year. The bottle has a date on it. It's going to expire in the mind of the consumer. If you're selling your 2001 Sauvignon Blanc, and everyone else is introducing their 2003, you're in a very bad position. You've got to get rid of it."

**Doing everything right**

In 1985, Scott's father, purchased their 1,200-acre ranch, well before the mid nineties when demand for California wine skyrocketed. He renovated and improved facilities and changed the vineyard plantings, which at that time consisted of Chardonnay, Sauvignon Blanc, and French Colombard. "We were very much a white wine producer. Since then, we've added Syrah, Zinfandel, some Grenache, and Petite Sirah. In particular, we planted the red Rhone varieties and some white Viognier too." They also make three different brandies from their 50-year old French Colombard vines, one of three classic Cognac varieties. Today, the estate has 120 acres of vineyards. They seemed to be doing everything right and enjoyed dramatic growth in their business.

**Fundamental change**

But on Scott's watch, a fundamen-

tal change took place. "We saw the tremendous influence of imported wines, specifically from Australia and South America. The number of competitors grew tremendously over the last decade. Even people in the dot.com industry, who were making tremendous amounts of money, invested in new vineyards. So the supply of fruit went up dramatically. The oversupply of fruit with the increase of imported wine has had a huge impact on people like us. We used to sell about half of our harvest to other wineries. We don't have those contracts anymore. So we've really had to focus on how we were going to increase our case sales to make up for that lost revenue. We've gotten creative. We've looked at new markets, expanding overseas. The Asian market was very hot for a while. We got into that."

"When Scott Jepson called me four years ago and asked if I would be interested in working here, I thought, 'finally, I can run the show.'  
—Winemaker Alison Schneider



**Quality/price ratio**

But they still saw sales lag. So like many smaller wineries, one of the most important ways that the Jepson family adapted to this new market place was to decrease production and improve quality. "By changing how we're pruning, we've dramatically reduced the tonnage on some vineyards by as much as 50%. So the quality has gone through the roof. Not that the quality was bad before, but if the vine is producing half of its crop load, the fruit is going to have a much more intense flavor profile. We always had to hit the mark just right so that we could maximize the tonnage but still meet the expectations of the buyer for quality. We don't have to worry about that now. We left tons and tons of fruit in the vineyard last year. We didn't have a market for it. We'd like to eliminate that waste, but

we decided to push up the quality. So the consumer is paying a similar price, but the wine is noticeably better. This year, we'll bottle about 13,000 cases, and we normally do about 20,000."

**Cooperation vs. competition**

At the low end of the market, Scott marvels at how foreign wineries can offer competent wines to American consumers at such minimal prices. "It's amazing when you see a bottle of imported wine, and it's \$3. How do they produce a bottle of wine for \$3 with a label, a cork, a capsule, and shipping costs to get it here? In Australia, most of their wines are exported. They don't have a consumer base there to consume the wine that they produce. So instead of this group competing against this group, they really have come together as a whole to promote Australian wine. You don't

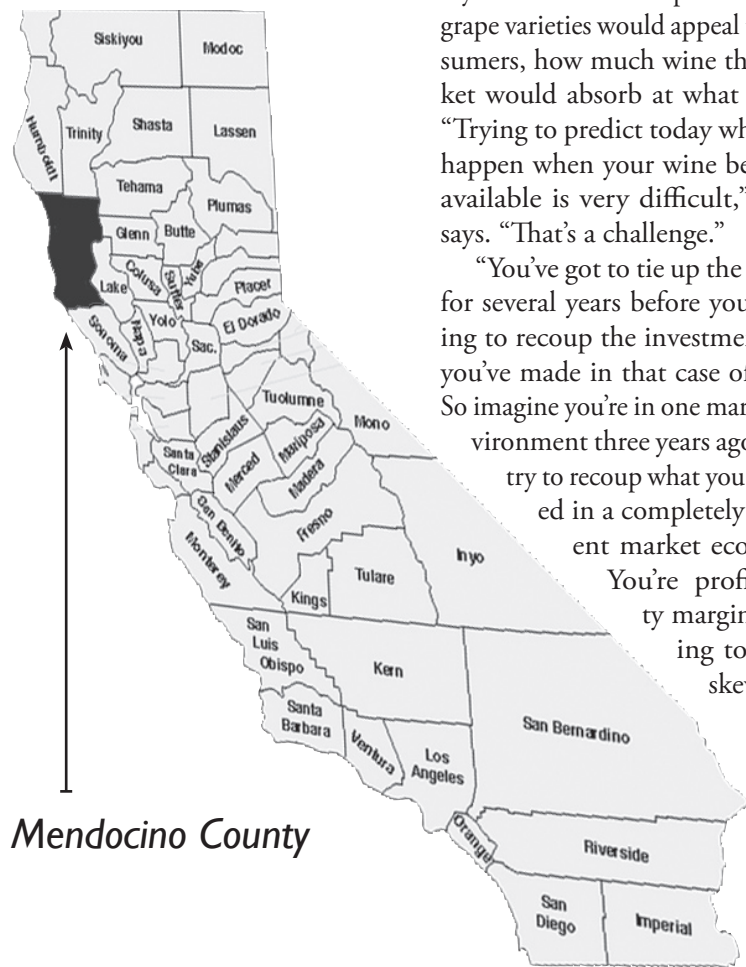
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